

Initial Public Offering



September - October 2005



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 Team

Jacques Ehrmann, Chairman and Chief Executive Officer ◀ |

Géry Robert-Ambroix, Chief Operating Officer ◀ |

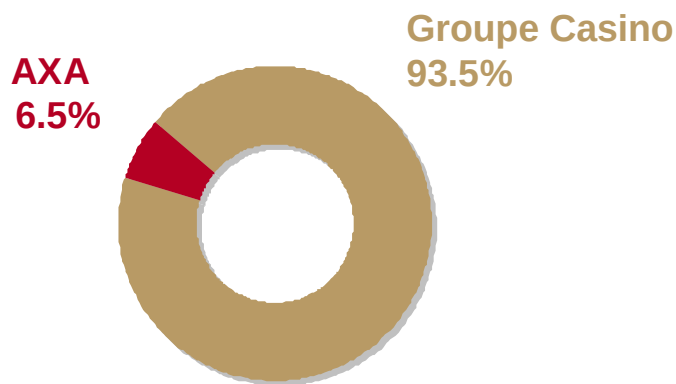
Agenda

- ✓ Offering *p.4*
- ✓ Overview *p.6*
- ✓ The Shopping Center Market in France *p.11*
- ✓ Mercialys' Asset Portfolio *p.14*
- ✓ Investment Program *p.19*
- ✓ Financial Highlights *p.22*
- ✓ Strategy and Outlook *p.27*
- ✓ Appendices *p.31*

► The offering

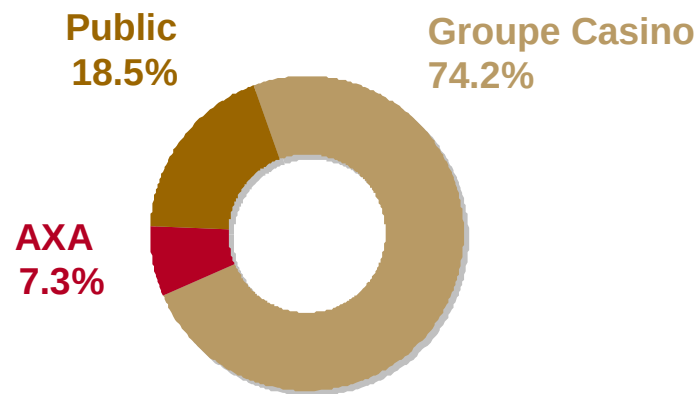
- ✓ Capital increase: **€214m**
- ✓ Additional greenshoe of: Up to **7.5%** (primary shares)
- ✓ Price range of: **€15.62 to €18.13** per share
- ✓ AXA will separately buy from Casino at the price of the IPO approx. **€25m** of Mercialys' shares
- ✓ 180 days lock-up for Casino, Mercialys and AXA

Shareholding structure pre IPO*



* AXA Group 6.5% stake result from the transfer of one of its major commercial property assets to Mercialys (subject to IPO)

Shareholding structure post IPO**



** Assuming full exercise of the greenshoe and based on the midpoint of the price range

Timetable

- | | |
|--|---|
| ✓ Signature of assets contribution agreements (subject to listing) | 23 August |
| ✓ EGM | 26 September |
| ✓ Roadshows and bookbuilding | 28 Sept - 11 October
(noon Paris) |
| ✓ Pricing | 11 October |
| ✓ Start of trading on Eurolist by Euronext Paris | 12 October |
| ✓ Settlement | 14 October |
| ✓ REIT-type tax regime (SIIC) adopted | 1 November |



Retailers' property portfolios comprise various asset types and require customised strategies

- ✓ Retailers gradually acquire
 - > *A strategic portfolio comprised of stores related to their core business*
 - > *A general portfolio comprised of offices and warehouses*
 - > *A high-yield portfolio mainly comprised of shopping centers on the same site as their stores, generating value through cross-fertilisation of the induced retail traffic*
- ✓ Mercialys is Casino's strategic response to the challenge presented by its shopping centers
 - > *Mercialys enables Casino to retain control of the retail property business*
 - > *Mercialys provides the business with the resources needed to develop it*

► Mercialys: a unique portfolio of retail properties

✓ **Consistent**

- > *Composed exclusively of retail assets*
- > *89% of rents collected from sites ranging from 5,000 to 40,000 sq.m., the fastest growing segment of the shopping center market*
- > *79% of the portfolio rented to non - Casino tenants*

✓ **Sizeable**

- > *Valuation (including stamp duty) of **€957m** at 30 June 2005*
- > *Gross leasable area (GLA): **547,000 sq.m.***
- > ***147** sites, of which **87** are shopping centers*

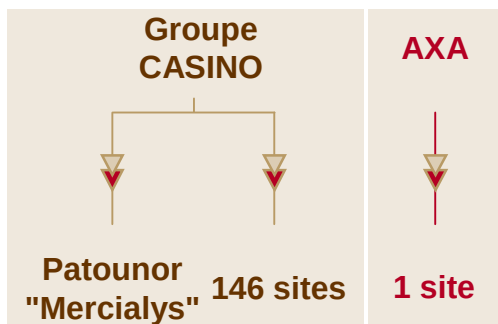
✓ **Growth generating**

- > *Invoiced rents **up 11%** per year between 2002 and 2004, to **€66.3m** in 2004*
- > *Cash flow **up 10%** per year between 2002 and 2004, to **€58.7m** in 2004*

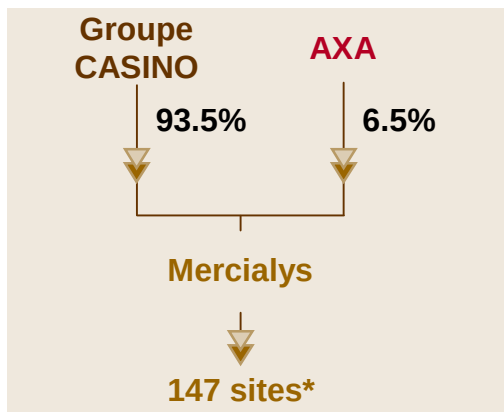
▶ Mercialys' two founding shareholders support its growth strategy

Creation of Mercialys

Pre-transfer



Post-transfer



✓ Simultaneously with the IPO:

- > AXA transfers one of its major commercial property assets to Mercialys
- > AXA will invest approximately €25m and holds a seat on the Board

* Assets to be retained for at least 5 years

➤ Mercialys is focused on the value-added side of the business

Business model

➤ **Asset management**

- ✓ Strategic action plan for each asset
- ✓ Renovating and extending existing centers
- ✓ Buying and selectively selling assets

➤ **Sales and marketing**

- ✓ Defining marketing action plans for each asset
- ✓ Constantly optimising merchandising
- ✓ Marketing

➤ **Shopping center management**

- ✓ Managing sites
- ✓ Promoting the shopping center's image and boosting traffic
- ✓ Representing the center in dealings with local authorities

Property management outsourced to Sudeco,
a Groupe Casino property manager
at an annual net cost of €1.9m

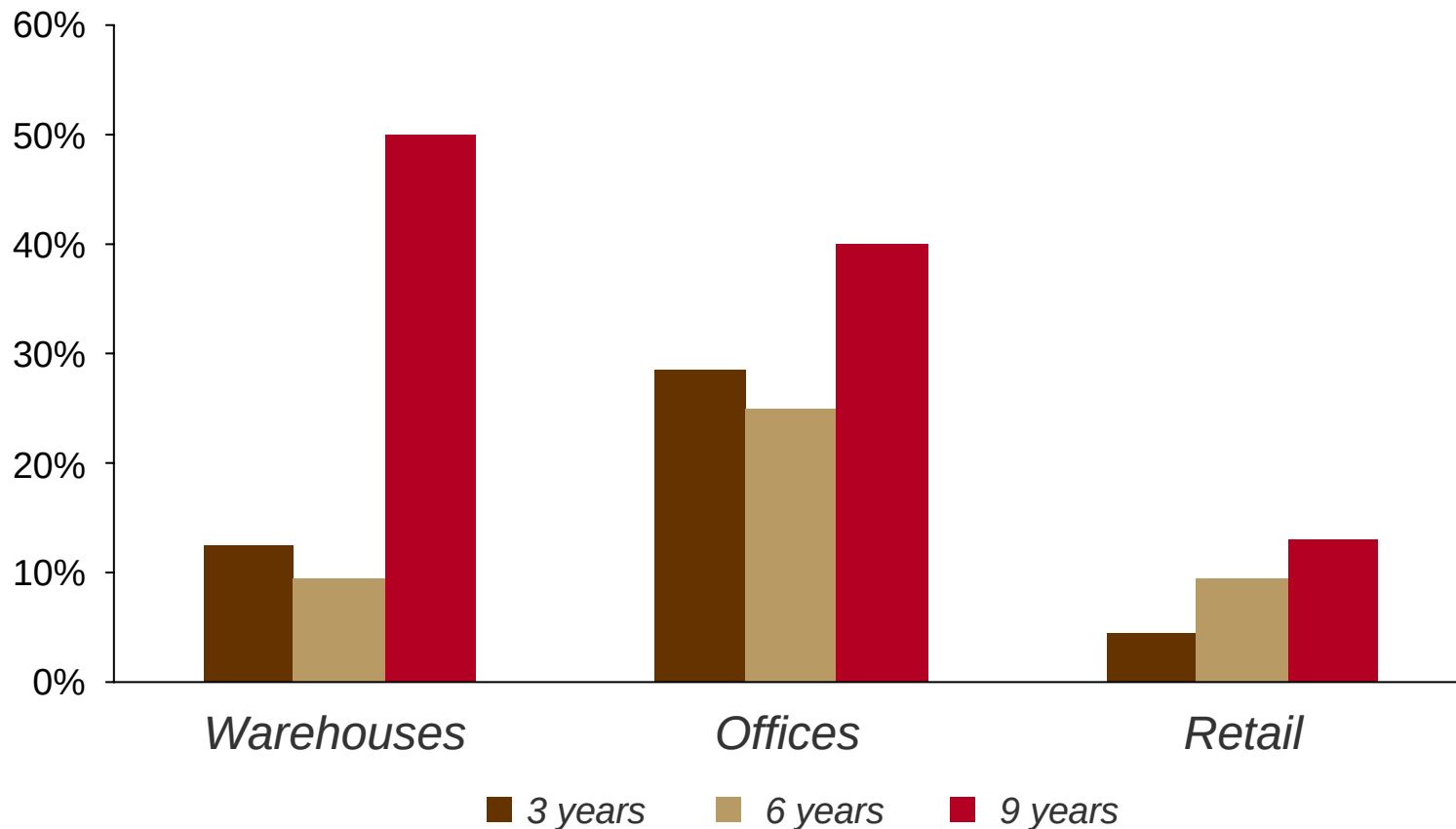
► Mercialys has strong organic growth potential

Sources of value creation in a retail property company

- ✓ Continuous **optimisation of existing assets**
 - > *Reinvigorating sites, boosting traffic and sales*
 - > *Renovation*
- ✓ Active **management of leases and expiry dates**
 - > *Lease rights and despecialisation premium*
 - > *Cap on rent increases lifted after nine years*
 - > *Disposals and re-marketing*
- ✓ Detailed **management of rent structure**
 - > *Monitoring of tenant occupancy cost ratios*
 - > *Variable rents tracked against minimum guaranteed rents*

► Tenants are remarkably stable in retail

Termination rate of commercial leases in 2003



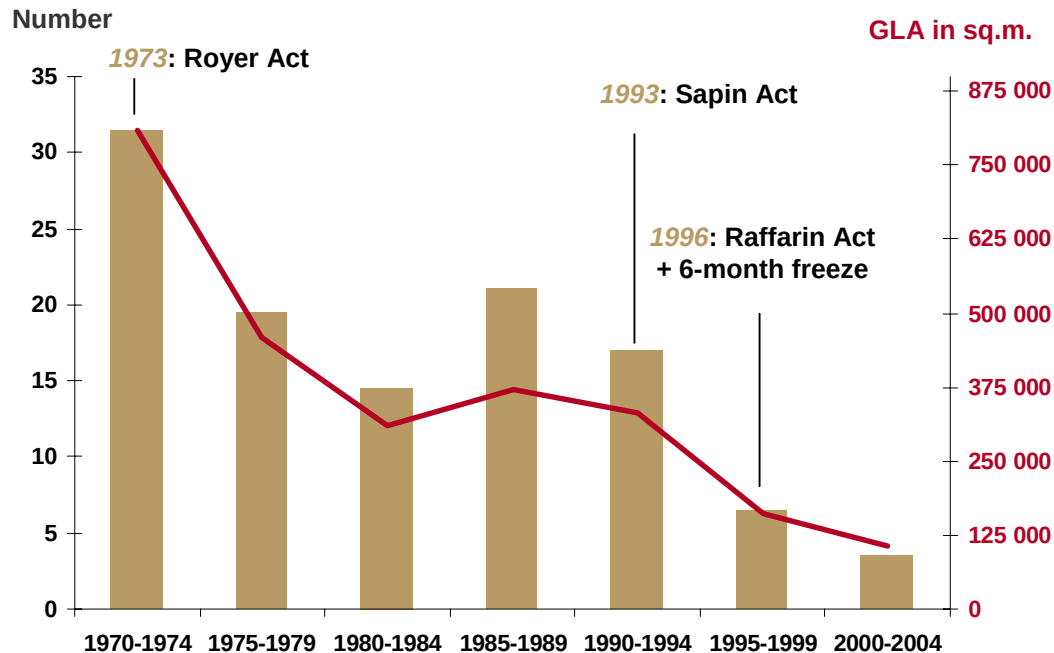
Source: IPD France



Focus is on renovating and extending existing centers

A market with high barriers to entry

New shopping center openings

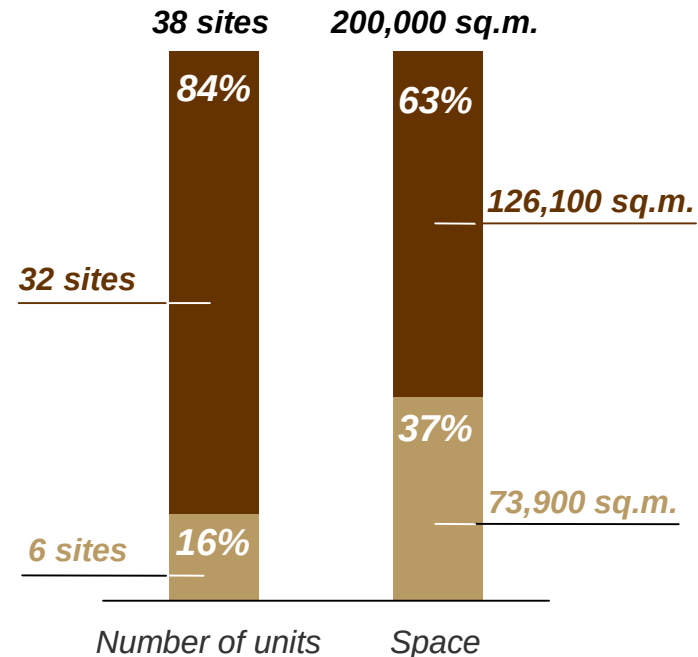


■ New centers (per year)

■ Average GLA created in sq.m. (per year)

Source: CNCC

Breakdown between renovations and openings in 2004

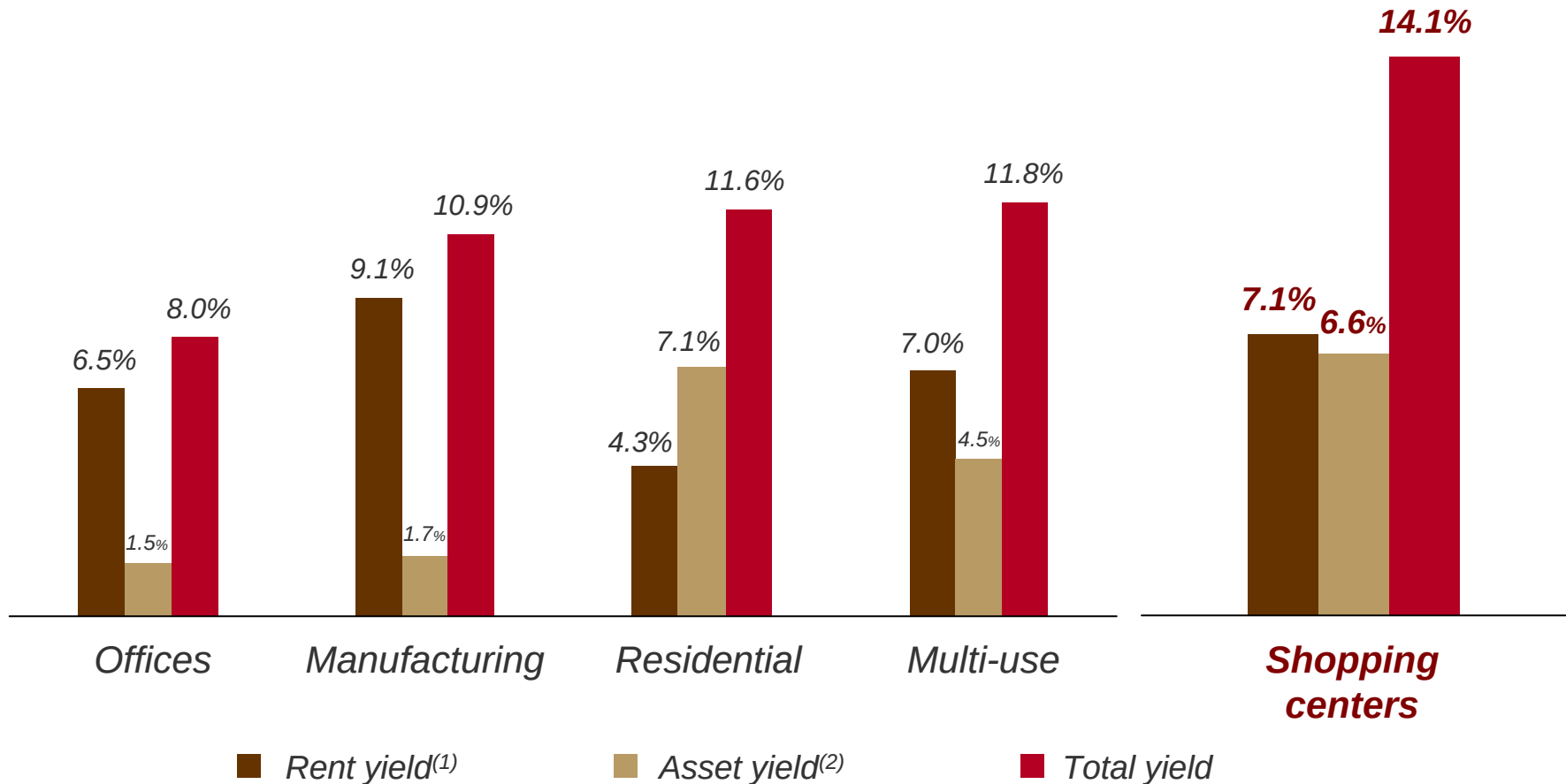


■ Openings

■ Renovations

► Shopping centers offer highest total yields

Yield by type of asset in 2004



(1) Net rent invoiced during the year (including vacancies) / market value at the beginning of the period

(2) Also known as return on capital. Increase in market value during the year

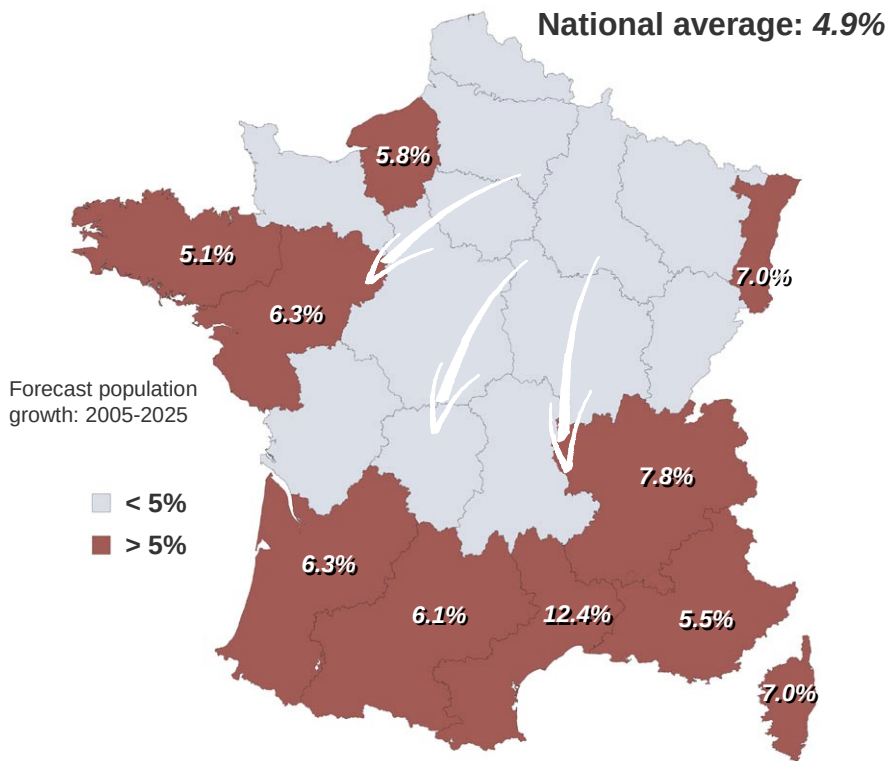
Source: IPD France



Mercialys is established in the regions with the fastest-growing demographics

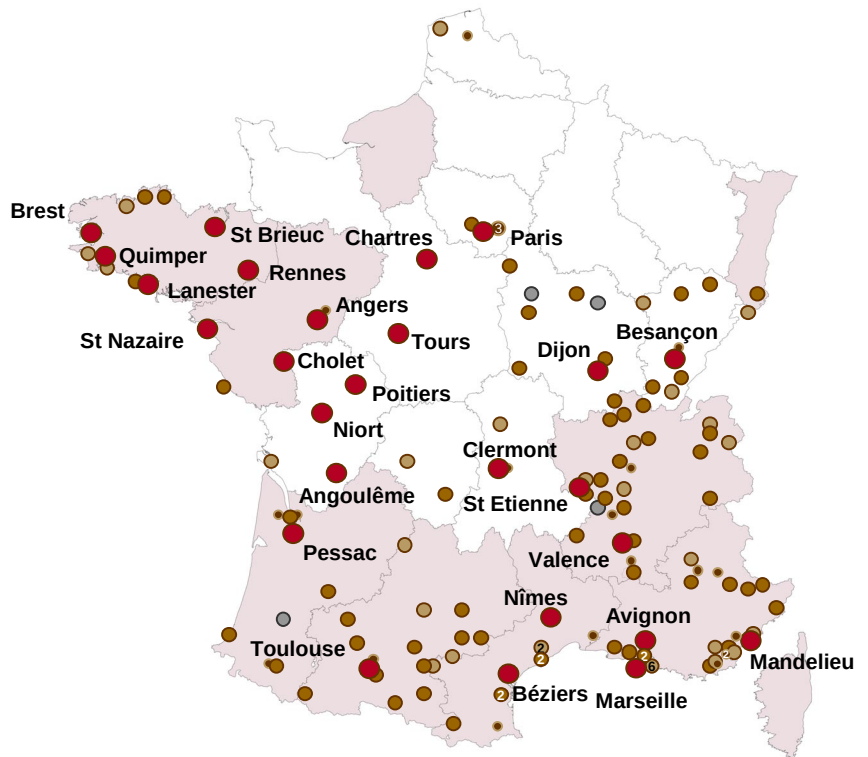
Portfolio by region

Expected population flows



Source: INSEE (2004 census study), INED

Asset locations



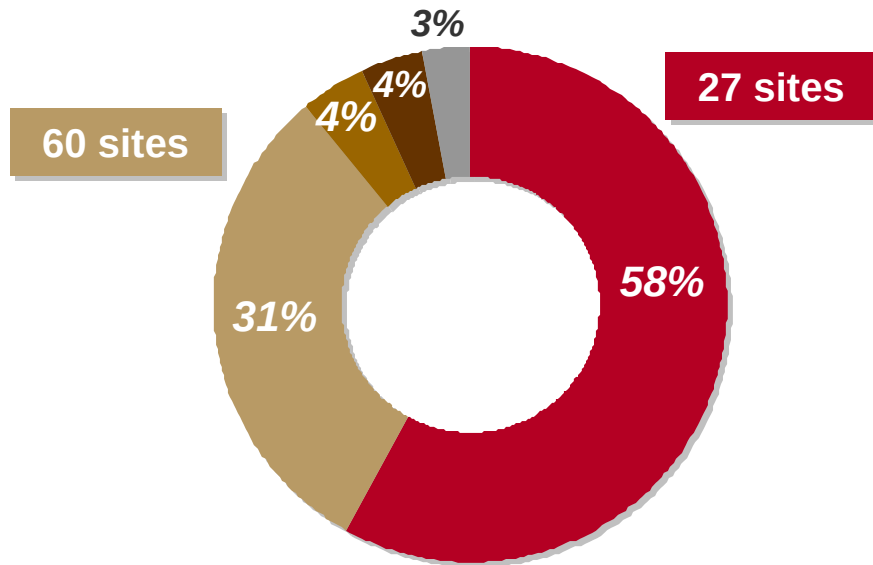
- Large shopping centers > 20,000 sq.m. GLA
- Food hypermarkets and large specialty stores
- Neighbourhood shopping centers > 5,000 sq.m. GLA
- Self-service restaurants
- Other (service outlets, convenience stores)



► Mercialys has a balanced portfolio

Breakdown of rents

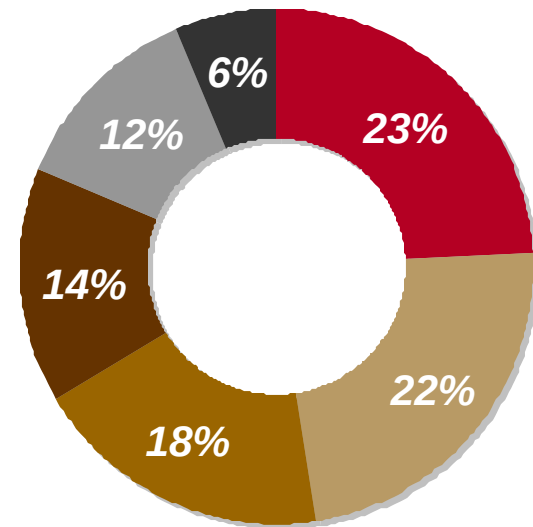
By type



**89% of rents generated on sites
> 5,000 sq.m.**

- Large shopping centers (> 20,000 sq.m.)
- Neighbourhood shopping centers (> 5,000 sq.m.)
- Self-service restaurants
- Other (service outlets, convenience stores)
- Food hypermarkets and large specialty stores

By business segment



- Personal wear
- Food and restaurants
- Homeware
- Beauty, health, hygiene
- Culture, gifts, leisure
- Services

- > *Higher sales densities*

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(1) as of 30th April 2005

► Significant reversionary potential

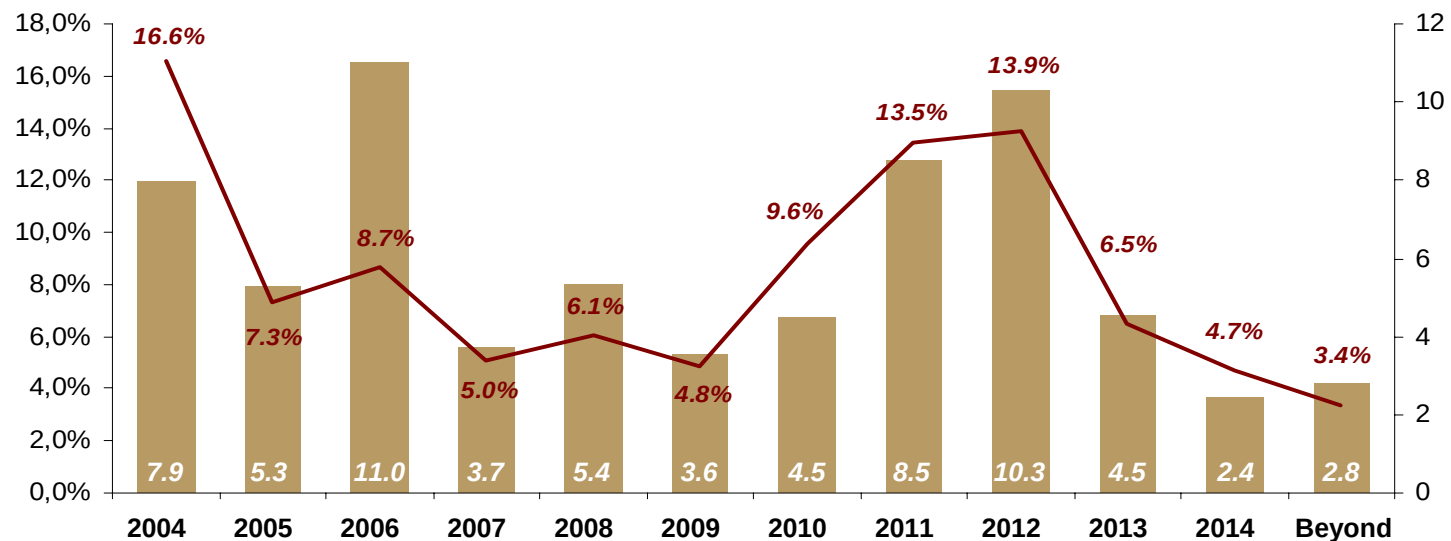
Careful management of renewals

- ✓ Average rent in 2004: €124/sq.m.
- ✓ 24% growth in rents generated by the 85 leases renewed in 2004

Reversionary potential

Expiring leases in %

Expiring leases amount



€69.9m (gross rent at 30 April 2005)

■ Expiring leases in €m

— Number of expiring leases / total number of leases

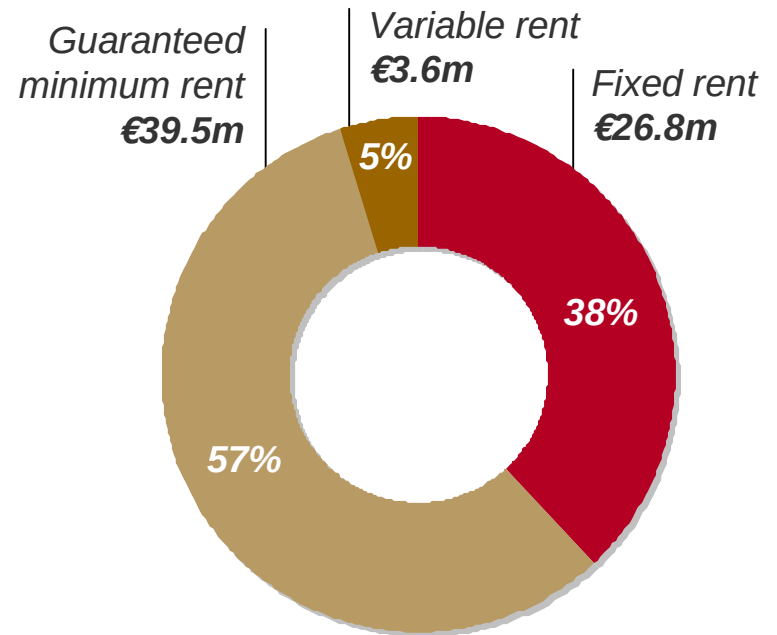
► Continuously managing rent structures

Key management indicators

- ✓ A reasonable 7% occupancy cost ratio* as of 31 December 2004
- ✓ More than 99% recovery rate
- ✓ 97.9% occupancy rate in 2004

* Occupancy cost ratio: $\frac{\text{rent (excl. VAT)} + \text{service charges (excl. VAT)}}{\text{revenues of the tenant (excl. VAT)}}$

Rent structure as of 31 December 2004



■ 877 leases with a variable clause

■ 1,085 leases without a variable clause



An ambitious development strategy

€500 million in investments over 2006-2010

- ✓ 55% of current portfolio*
- ✓ Pipeline of projects represents 75% of planned investments

<i>In €m</i>	<i>By 2007</i>	<i>By 2010</i>
<i>Purchase of assets through properties development programs</i>	72	194
<i>Renovation and restructuring programs</i>	38	100
<i>Buyout of jointly owned property</i>	37	92
<i>Acquisition of existing assets</i>	50	125
<i>Total</i>	197	511

* Asset value excluding stamp duty



Mercialys has priority access to Casino's pipeline of development projects

Key terms of the contract

- ✓ Call options on all projects for 5 years
- ✓ Up to 31 December 2006, purchase price based on a fixed capitalization rate
 - > 8% of forecast annual net rents for shopping centers
 - > 8.5% of annual net rents for medium-sized stores that are not part of a shopping center
- ✓ From 1 January 2007, initial ratios maintained
 - > Purchase price set for the following 12 months
 - > In the event that an agreement is not reached, the capitalization rate will be set by an expert, based on previous principles
 - > From 1 January 2009, Casino can terminate the agreement if it no longer controls Mercialys (in practice, if its shareholding falls below 40%), subject to 12 months' notice
- ✓ For 2006-2007: 12 projects identified for approximately **€72m**
 - > CDEC building permit received: 2 projects (€18m)
 - > CDEC building permit pending: 3 projects (€24m)
 - > Land under option: 7 projects (€30m)
- ✓ By 2010: 15 additional projects identified for approximately **€194m**

► Corporate governance

Board of Directors

✓ 11 members

> of which 4 independent Directors (including the AXA representative)

✓ Directors:

Independent directors

Bernard Bouloc	Law professor
Philippe Moati	Research Director, Credoc
Eric Sasson	Managing Director, Carlyle Real Estate Europe
Pierre Vaquier	Chairman, AXA REIM

Casino Guichard Perrachon, represented by Jacques Tierny

Executive Deputy Managing Director, responsible for administration and finance,
Groupe Casino

Immobilière Groupe Casino, represented by Thierry Bourgeron

Human Resources Director and Communications Director, Groupe Casino

Jacques Dumas	Deputy Managing Director, Groupe Euris
Pierre Feraud	Chairman and Chief Executive, Foncière Euris
Gérard Koenigheit	Advisor to the Chairman, Rallye
Catherine Soubie	Deputy Managing Director, Rallye
Jacques Ehrmann (Chairman)	Real Estate and Expansion Director, Groupe Casino

✓ Investment Committee:

> 2 independent directors including the AXA representative + 2 Casino representatives
+ the Chairman of Mercialys



Independent* property valuation based on 7.3% rental yield

Portfolio value

- ✓ Including stamp duty: €957m
- ✓ Excluding stamp duty: €903m

Type of property	Number of properties at 30 June 2005	Valuation* at 30 June 2005		GLA at 30 June 2005		2004 invoiced rents**	
		€m		sq m.		€m	
Large shopping centers	27	557	62%	264,212	48%	38.6	58%
Neighborhood shopping centers	60	259	29%	174,492	32%	20.8	31%
Food superstores	11	14	1%	23,553	4%	1.1	2%
Large specialty stores	4	7	1%	10,032	2%	0.6	1%
Self-service restaurants	23	36	4%	42,672	8%	2.9	4%
Other	22	30	3%	32,175	6%	2.3	4%
TOTAL	147	903	100%	547,136	100%	66.3	100%

* Asset value excluding stamp duty

**Invoiced rents = rental revenue - lease rights

NAV as of June 30 (before IPO)

In €m

Opening balance sheet

Consolidated equity (IFRS)	871.2	
Unrealized capital	69.6	
Including stamp duty (before capital increase)	940.8	€15.62/share*
Stamp duty	- 54.2	
Excluding stamp duty (before capital increase)	886.6	€14.72/share*

*Based on 60,230,005 shares outstanding before the capital increase

* Carried out by 2 experts: Atis Real and Galtier



► Key figures 2002-2004

Accounting principles and procedures

- ✓ Pro forma historical financial statements
- ✓ Financial statements in French GAAP for 2002, 2003 and 2004 (FYE 31/12)
- ✓ IFRS for financial statements as of 31 December 2004 and for interim financial statements as of 30 June 2004 and 2005
- ✓ No transfer of cash or debt, excluding:
 - > *Guaranteed deposits paid by tenants, transferred to Mercialys*
 - > *Tours la Riche finance lease liability*

	French GAAP			IFRS
In €m (pro forma)	2002	2003	2004	2004
Rental revenue	56.9	65.7	67.8	68.4
<i>Growth (%)</i>	-	15.4	3.2	-
Net rental revenue*	51.7	60.3	62.9	63.5
<i>Growth (%)</i>	-	16.5	4.3	-
EBITDA	47.9	55.8	59.1	59.7
<i>Margin (%)</i>	84.1	84.9	87.2	87.3
Net profit	33.1	38.8	40.1	46.9
Operating cash flow	48.2	55.8	58.7	58.7
Equity	493.7	499.3	500.6	890.0
Net debt	9.1	12.6	12.4	12.4
Deferred taxes	2.6	2.6	2.6	2.6

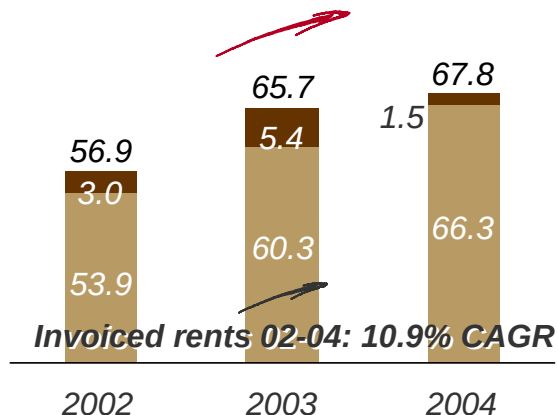
* Net rental revenue = rental revenue less property taxes and service charges not recovered from tenants, and other property related costs

► Sustained strong growth in rental revenue

Rental revenue

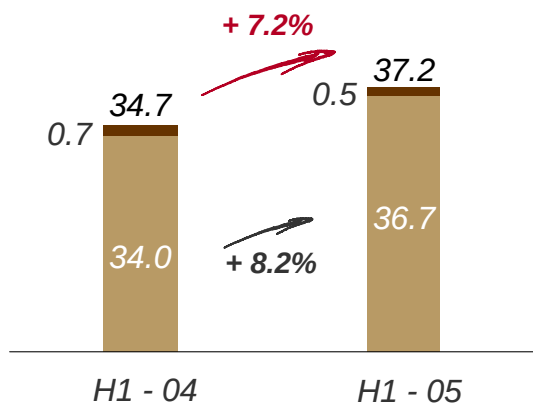
French GAAP

Rental revenue 02-04: 9.1% CAGR



Invoiced rents 02-04: 10.9% CAGR

IFRS

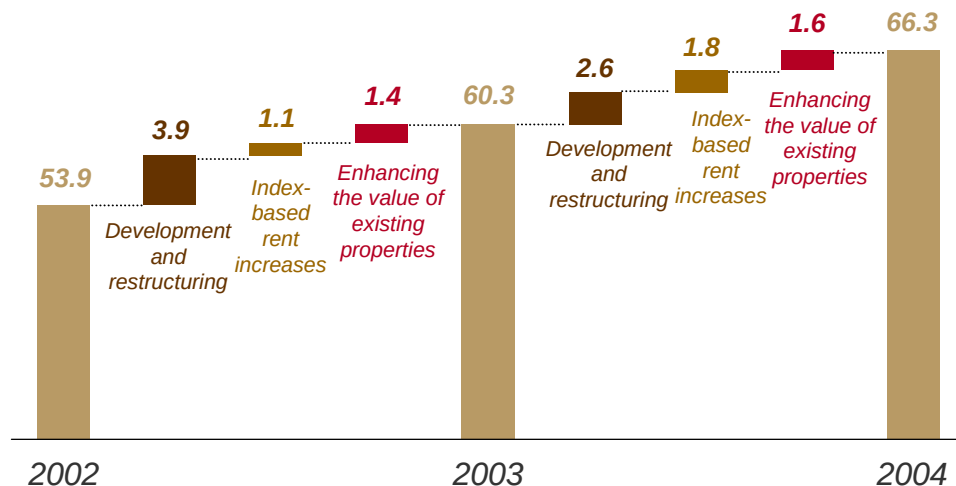


■ Invoiced rents

■ Lease rights

Revenue growth drivers: investment and value enhancement

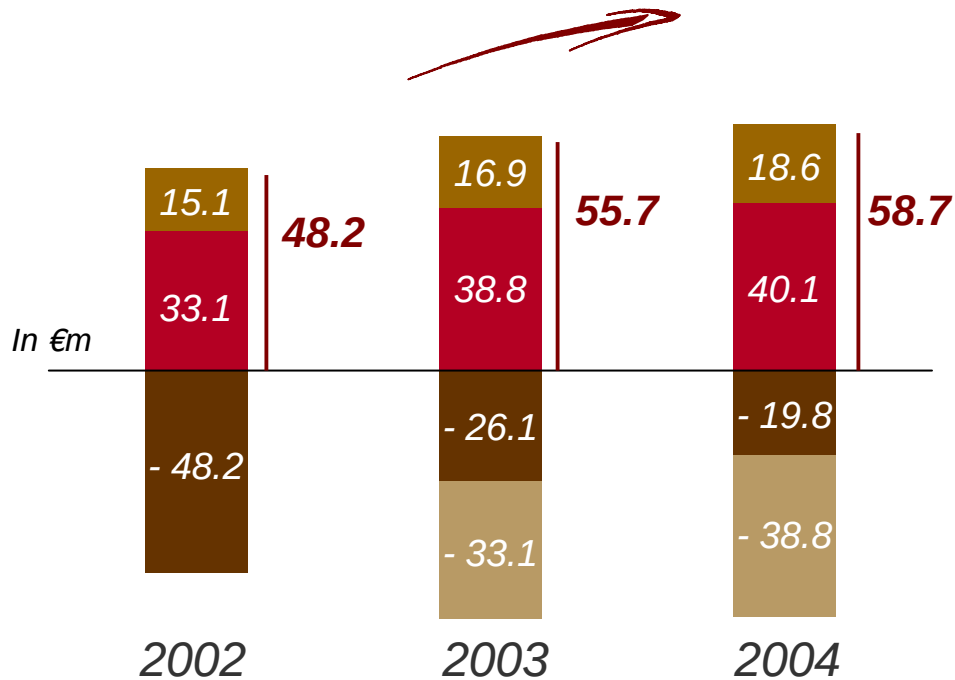
Invoiced rents* growth (€m)



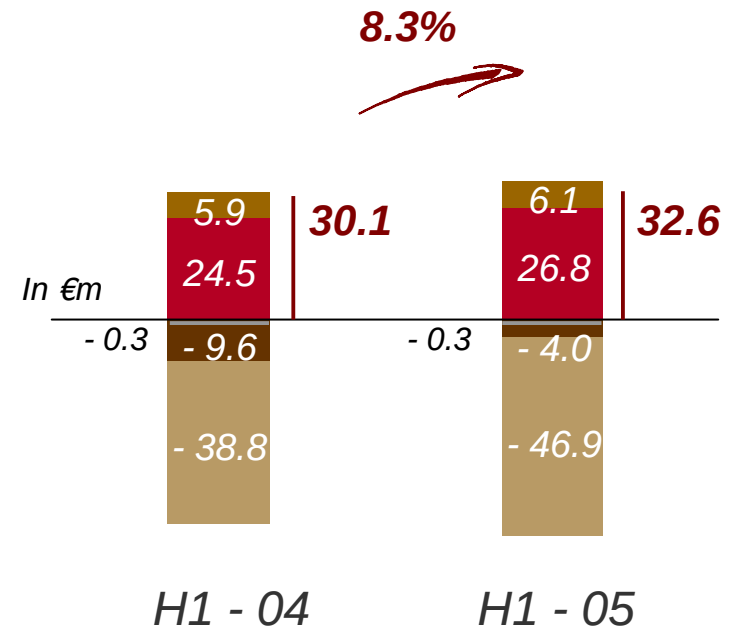
*Invoiced rents = rental revenue less lease rights

Continued cash flow growth

Net cash flow 02-04: 10.4% CAGR



IFRS



■ Net profit
 ■ Depreciation
 ■ Investment
 ■ Dividends
 ■ Other

► Consolidated balance sheet

Assets	French GAAP	IFRS
<i>In €m</i>	<i>31 Dec. 2004</i>	<i>31 Dec. 2004 30 June 2005</i>
Investment properties	515.7	895.2 893.2
Financial assets		9.9 10.1
Total non-current assets	515.7	905.1 903.3
Cash and cash equivalents	10.1	10.1 0
TOTAL ASSETS	525.8	915.2 903.3

Equity and Liabilities

Share capital and premiums	460.2	842.4	842.4
Consolidated profit	40.1	46.9	26.8
Shareholders' equity - group share	500.3	889.3	869.2
Minority interests	0.3	0.7	0.7
Consolidated shareholders' equity	500.6	890.0	869.9
Deferred tax liability	2.6	2.6	2.6
Non-current liabilities	21.5	21.5	21.5
Current liabilities	1.1	1.1	9.3
TOTAL EQUITY AND LIABILITIES	525.8	915.2	903.3

- ✓ Virtually no debt as of 30 June 2005
- ✓ Notional net working capital structurally negative by around €2m

► Step up organic growth and acquisitions

Enhance the value of the existing portfolio

- ✓ Increase the profitability of existing leases
- ✓ Optimise the portfolio by refurbishing and renovating shopping centers
- ✓ Deploy an aggressive marketing strategy

An ambitious development strategy

- ✓ Benefit from call options on shopping center development programs implemented by Casino
- ✓ Acquire existing assets with a high reversionary potential

Long-term strategy

- ✓ Seek attractive development opportunities resulting from Casino's acquisitions that include a retail property portfolio
- ✓ Become a consolidator for retail assets
 - > *A large number of quality portfolios are held by independent owners*
 - > *Tax window for transfers to a SIIC that allows (theoretically until end-2007) risks to be pooled without withdrawing from the segment and offers tax reductions*
- ✓ Consider investing in retail assets within the European Union, particularly in countries with higher yields
- ✓ Substantial financial leeway to successfully deploy these growth strategies
- ✓ Consider selective asset sales from 2011
 - > *2011 (at the earliest): end of tax lock-up period*

► Double-digit medium-term growth objective

✓ **2005-2006: Organic growth objectives**

> 2005

- » Rental revenue 6 - 7%
- » Cash flow 6 - 7%

> 2006

- » Rental revenue 5 - 7%
- » Cash flow 12 - 15%
(including income on cash proceeds of the capital increase)

✓ **2007-2010: Total growth objectives**

> *Faster growth in the medium term:*

- » Rental revenue* +10%
- » Cash flow +10%

> *Growth evenly split between organic growth and new projects*

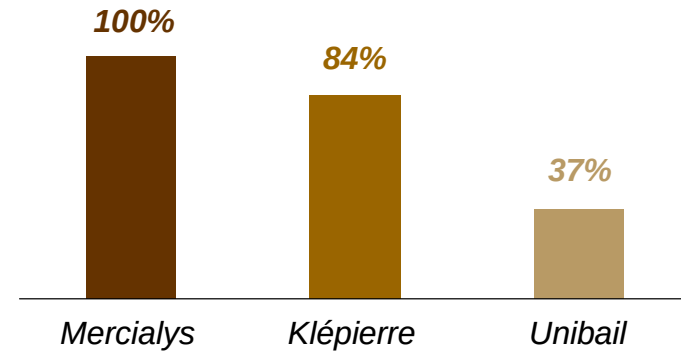
* indexed at 2.5%

► Mercialys : key investment highlights

A yield and growth property stock

- ✓ A pure play in the established yet dynamic shopping center segment
- ✓ Profitable, sustained growth
- ✓ Steady cash flow and strong earnings visibility
- ✓ A REIT-type structure (SIIC), providing a high dividend payout rate
- ✓ Strong potential for expanding the asset base, notably with a flow of projects from Casino
- ✓ Financial structure to support the 5-year investment program

Percentage of rental revenue derived from retail property assets in 2004



Initial Public Offering



September 28, 2005

Appendices

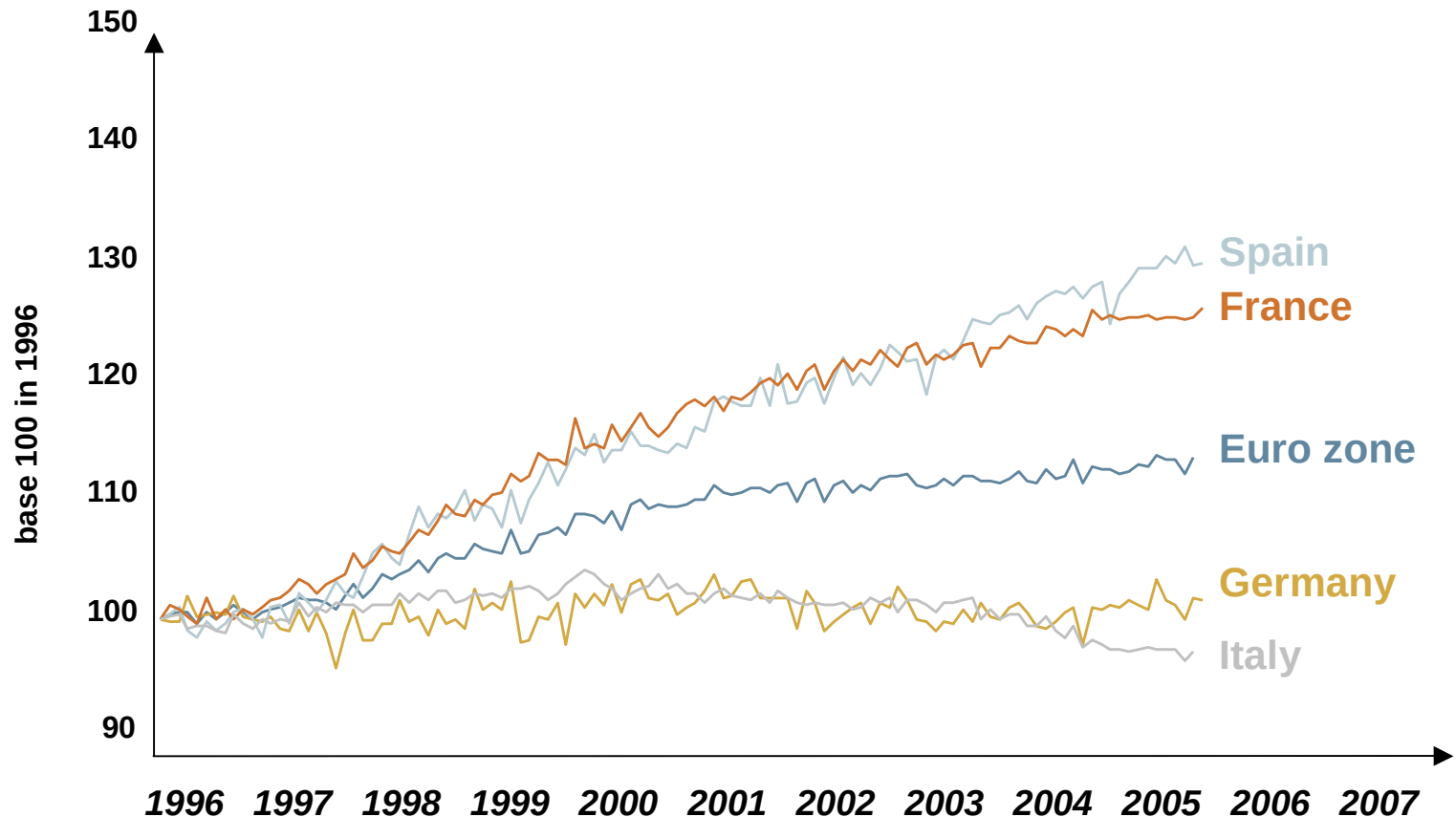
► Restrictive regulatory environment favours historic players

The French regulatory environment

- ✓ Articles L.145-1 et seq of the French Commercial Code
 - > *Commercial leases of at least nine years*
 - > *Termination by the tenant possible after three or six years*
 - > *Rents adjusted annually based on variation in the construction cost index*
 - > *Lessor has option of not renewing a lease in exchange for eviction compensation*
 - > *Cap on rent increases lifted as of the tenth year*
- ✓ Distinction between ownership of the assets and lease rights
 - > *Lessor owns the assets*
 - > *Lessee owns the business*
- ✓ Royer Act (1973)
 - > *CDEC authorization required for construction or extension of a retail complex with a surface area of more than 300 sq.m.*

► Retail property is driven by consumer spending

France: one of the fastest growth rates of consumption in Europe

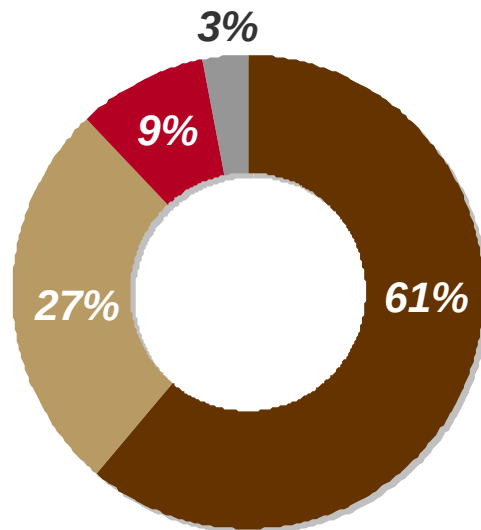


Shopping centers generated over a quarter of retail sales in France in 2004

Shopping centers in France

- ✓ 613 shopping centers⁽¹⁾ representing a GLA⁽²⁾ of 13.5 million sq.m.
- ✓ Total sales of €87 billion

Shopping centers breakdown in 2004



- **373** neighborhood shopping centers
5,000 to 20,000 sq.m.
- **167** large shopping centers
20,000 to 40,000 sq.m.
- **55** regional shopping centers
> 40,000 sq.m.
- **18** other properties

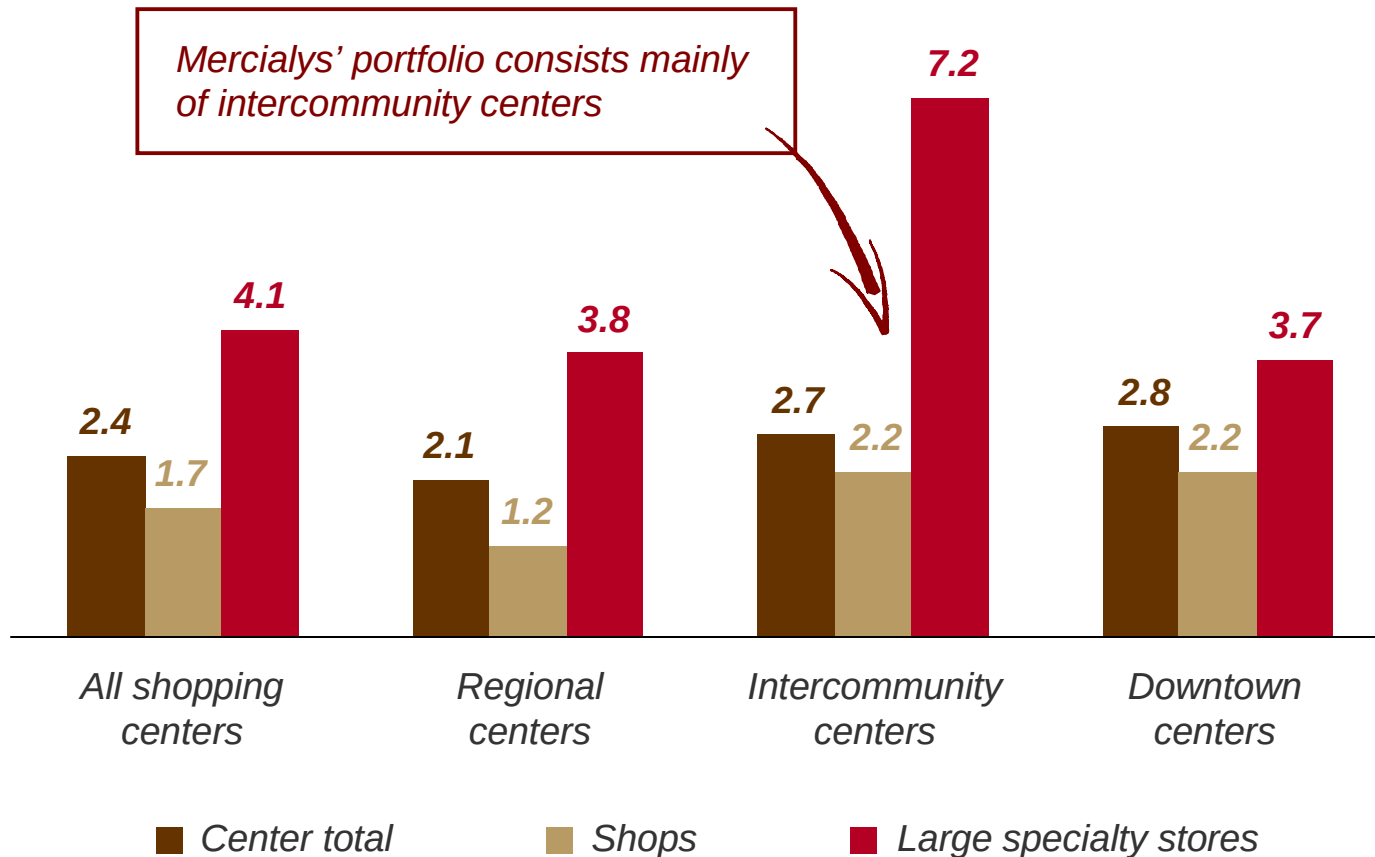
(1) Shopping centers with a gross leasable area of more than 5 000 sq.m.

(2) Gross Leasable Area

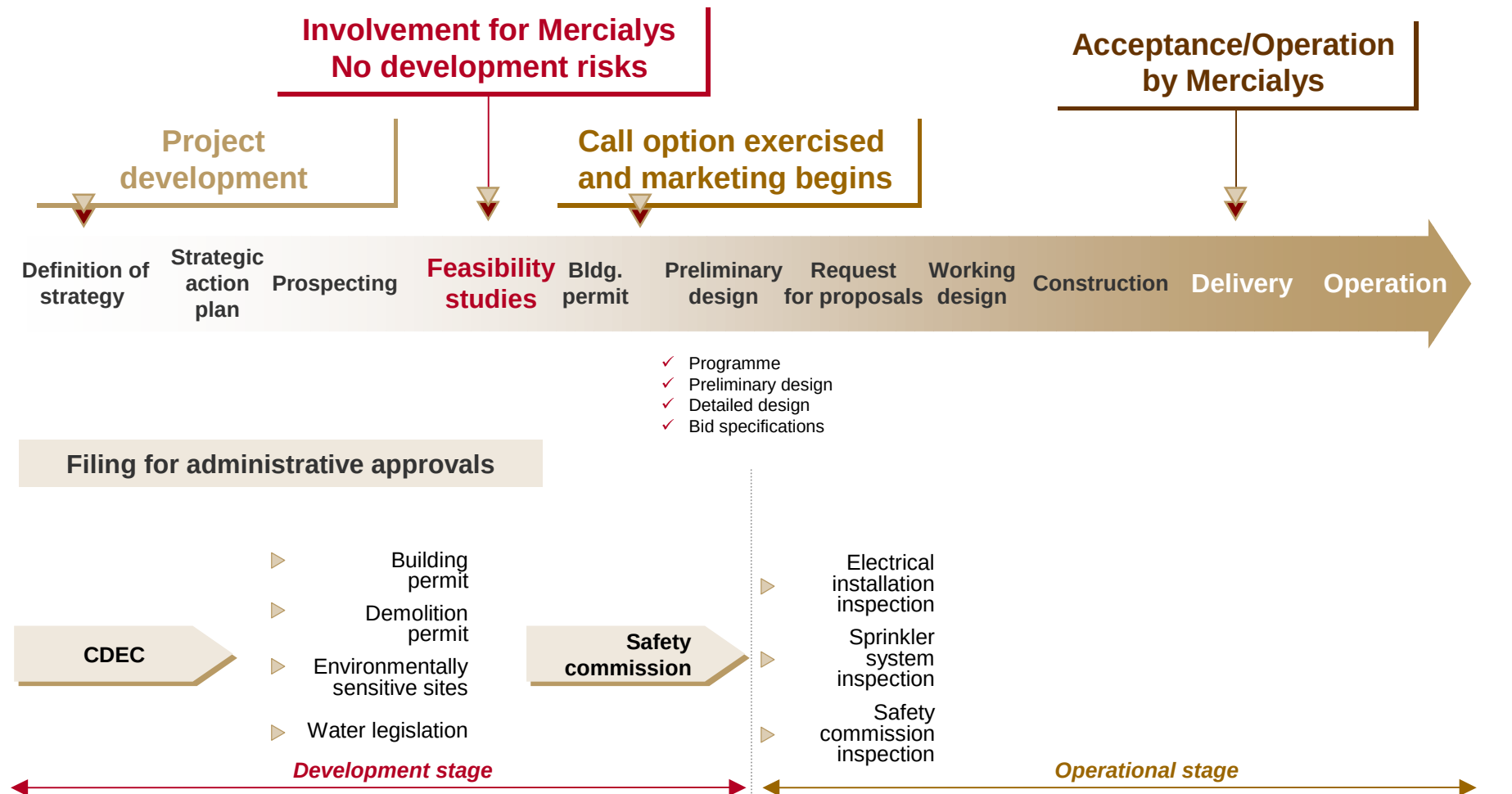
Source: CNCC

▶ Intercommunity and downtown shopping centers have posted the highest growth

Sales growth by type of center in 2004 (in %)



High level upstream involvement of Mercialys in the Casino development process



► Innovative, secure IPO structure



SIIC 2

SIIC 2 (Dec 2004) applies to:

- asset transfers
- a listed property company



Patounor "Mercialys"

Wholly-owned Groupe Casino subsidiary pre-IPO

- ✓ Patounor converted into a property company
- ✓ Patounor changes name to Mercialys
- ✓ Asset transfer agreements between Groupe Casino and AXA
 - > Signed 23 August 2005
 - > Subject to successful IPO
- ✓ Shares listed and begin trading
- ✓ Assets effectively transferred upon completion of settlement/delivery process
- ✓ Payment of the exit tax by asset contributors (mainly Casino, in 2006)



Casino self-service restaurants account for 15% of rents

Relations with Casino as tenant

- ✓ Tenant more present than others
- ✓ **103** Casino self-service restaurants: **€10.5m** in rent,
or **15%** at April 30, 2005 rent roll
- ✓ Leases:
 - > *A two-tier rent structure:*
 - » A guaranteed minimum rent, based on market value
 - » A guaranteed minimum rent and a variable rent based on **6%** of net sales
 - > *Leases renewed on 1 January 1998 and terminating on 31 December 2006*
 - > *Special clauses:*
 - » No security deposit or payment for work, as long as Casino Cafétéria continues to be part of Groupe Casino

► Mercialys expects to become a SIIC by end-2005

Timeline

- ✓ **23 August:** Signature of assets contribution agreements (subject to listing)
- ✓ **26 September:** Extraordinary Meeting of Mercialys shareholders to approve the contributions
- ✓ **12 October:** Mercialys shares listed
- ✓ **14 October:** Settlement/delivery of the shares and legal completion of the contributions
- ✓ **1st November:** REIT-type tax regime (SIIC) adopted
*Resultant exit tax:
€2.6m, payable over 4 years*
- ✓ **31 December:** FY Accounts closed again

Characteristics of the REIT-type tax regime (SIIC)

- ✓ At least 85% of tax-exempt profit from rental activities to be distributed to shareholders
- ✓ At least 50% of tax-exempt profit from the sale of properties or certain interests in property companies to be distributed to shareholders
- ✓ Dividends from subsidiaries that have elected for the SIIC regime to be redistributed in full to shareholders
- ✓ Mercialys will apply these payout rates on 2005 pro forma income

▶ The Board committees are chaired by independent directors

Three committees

✓ Audit Committee

- > *Majority of independent members*
- > *Chaired by Bernard Bouloc (independent director)*

✓ Nominations and Remunerations Committee

- > *Re-appoints members of the Board committees*
- > *Approves management team appointments*
- > *Chaired by Philippe Moati (independent director)*

✓ Investment Committee

- > *Chaired by Eric Sasson (independent director)*

► Mercialys is led by a full management team

► **Jean-Marc GOTHARD**
Large Shopping Centers

► **Géry ROBERT-AMBROIX**
*Chief Operating Officer
Operations and Finance*

► **Bruno DUGAS**
Neighborhood Centers



► **Jacques EHRMANN**
Chairman and Chief Executive Officer

► **Catherine OULÉ**
*Executive Vice President
Marketing and Value Enhancement*

► Corporate governance and relations with Casino

Cash management and current account agreement with Casino

- ✓ Creation of a shareholder current account in line with Article L.511-7
- ✓ Interest paid on the account at Eonia +10 bps
- ✓ Continuation of the agreement as long as Casino controls Mercialys
- ✓ Agreement can be terminated with prior notice of 10 days

Related party agreements

- ✓ The following services/contracts will be covered by related party agreements governed by Articles L.225-38 et seq., of the French Commercial Code
 - > *Cash Management Agreement*
 - > *Partnership Agreement*
- ✓ Each year, the Statutory Auditors will issue a special report on the agreements to the Annual Meeting
- ✓ Casino abstains from voting upon implementation or substantial modifications of these agreements at Board meetings and AGM

Property management and support functions are outsourced

Property management outsourced to Sudeco, a Groupe Casino property manager

- ✓ Management of tenant relations, shared occupancy expenses and building administration activities performed by the Casino subsidiary under management agreements
- ✓ Sudeco, a wholly owned subsidiary of Immobilière Groupe Casino (IGC), has managed Mercialys' assets since 1988
- ✓ The day-to-day management is under Mercialys' supervision
- ✓ A rent and service charge recovery rate of over 99%
- ✓ Sudeco also manages assets for other companies
- ✓ **Fees paid by Mercialys to Sudeco in 2004:** €2.8m, of which €0.9m was passed on to tenants, for a **net expense of €1.9m**
- ✓ **No termination fee**

Support functions outsourced to Groupe Casino to optimise overheads

- ✓ **2004 management fee: €376,000**

Mercialys has prepared formal procedures for the Investment Committee

Mercialys Investment Committee

- ✓ Investment Committee: 2 independent directors including an AXA representative + 2 Casino representatives + the Chairman of Mercialys
- ✓ Standard role
 - > *Review investment strategy*
 - > *Review and make recommendations on annual investment budgets*
 - > *Review and provide an opinion on investment projects, as follows:*
 - » Projects with outside partners exceeding €10 million
 - » Projects with Casino exceeding €4 million
 - » Aggregate transactions with Casino exceeding €10 million per year
- ✓ Specific terms of reference
 - > *Review negotiations concerning the partnership contract with Casino when necessary*
- ✓ Purely advisory role for the two Casino representatives providing recommendations to the Board concerning investment projects with Casino